



December 24, 2020

BP Exploration & Production Inc.  
200 Westlake Park Boulevard  
Houston, Texas 77079  
Attn: Kamil Gurses

Re: Request for Sole Benefit Operation and AFE Operation

Dear Kamil:

Reference is made to that certain:

- Production Handling and Operating Services Agreement effective September 21, 2010, as amended, (the "Na Kika PHA") by and between Noble Energy, Inc., as predecessor in interest to Fieldwood Energy LLC ("Fieldwood") BP Exploration and Production Inc. ("BP"), Red Willow Offshore, LLC ("Red Willow") and Houston Energy Deepwater Ventures I, LLC ("HEDV") covering production handling services at the Na Kika FPS ("Na Kika");
- Loop Subsea Production System Construction and Operating Agreement ("Loop OA") dated effective 1 December 2011, as amended, by and between Noble Energy, Inc., as predecessor in interest to Fieldwood, BP, Red Willow and HEDV covering the construction and operation of the Galapagos Area Loop Subsea Production System ("Loop");
- Letter Agreement for the Galapagos Genovesa Tieback Project – Appraise and Execution Stage AFE's dated October 3, 2019 by and between BP and Fieldwood, (the "AFE Letter Agreement");
- Letter Agreement for the Connection of a Satellite Well System to the Loop dated January 28, 2020 by and between BP and Fieldwood (the "Connection Letter Agreement"); and the
- The Genovesa Single Flowline Plan dated 3 November 2020, submitted by Fieldwood and received by BP (the "Temporary Single Flowline Plan").

#### **Background**

Since its successful drilling in July 2019, Fieldwood has been progressing tieback of the MC 519 #3 Well (the "Genovesa Development") into the Loop for transport back to Na Kika for further handling, as provided for in the Loop OA and the Na Kika PHA. As BP is the Operator for both the Loop and Na Kika, many activities related to the Genovesa Development have required BP's coordination, input and approval, which has been carried out under the Loop OA and Na Kika PHA generally and the AFE Letter Agreement specifically.

On April 14, 2020, during the execution of the LSPS Work (as defined in the Connection Letter Agreement), an abnormal condition was observed that indicated the presence of very small leak on the Loop. Since that time, BP has conducted several diagnostic campaigns to confirm the presence of a leak which ultimate resulted in confirming a minor leak at the Santa Cruz PLEM2 SLDV Bonnet Flange during a dry oil and ROV campaign in mid-November 2020.

As BP is aware, not only is the Genovesa Development, which will be ready to commence production pending tree commissioning, critical for Fieldwood and its co-venturers Red Willow and HEDV, but also the return to production of the MC 519 #1 ("Santa Cruz") and MC 519 #2 ("Santiago"), both of which have been unable to produce since April 2020 due to the leak in the Loop. Unless the leak is repaired with the upcoming bolt tightening, which Fieldwood supports, the Genovesa Development, Santa Cruz and Santiago will be shut in until a more extensive repair can be made, which BP estimates to take up to two years, and will cause significant harm to Fieldwood, Red Willow and HEDV.

Given the major impact such extensive repair will have on the production from Santa Cruz, Santiago and the Genovesa Development and in the event the bolt tightening operation is unsuccessful, Fieldwood has, starting in October 2020, consulted with BP on the preparation of mitigation plans culminating in the submittal of the Temporary Single Flowline Plan to BP on 3 November 2020, with additional submissions of Flow Assurance evaluation and data supporting such Temporary Single Flowline Plan and payment by the Genovesa partners of costs to evaluate same. This has been discussed by both the operational and commercial teams as well as BP's and Fieldwood's legal counsel over the last several weeks. As a result of this work, BP has recently confirmed that the Flow Assurance plan that supports the Temporary Single Flowline Plan is acceptable. Furthermore, temporary use of the Loop in single flowline configuration has been demonstrated as feasible and acceptable by the recent start-up of single flowline production from the Isabela Field on MC 562.

On 22 December 2020, BP requested that Fieldwood provide a formal "proposal" for the Single Flowline Plan. While Fieldwood firmly believes that all parties understand the project and the timelines well, particularly in light of Fieldwood's 3 November 2020 communication related to the Plan, the numerous discussions between the parties on the subject and Fieldwood, Red Willow and HEDV's approval of the Single Flowline Plan Feasibility Study, Fieldwood, Red Willow and HEDV nevertheless herein formally proposes the following operations. Fieldwood considers this a formality and does not believe an extended review period is necessary.

#### **Temporary Single Flowline Plan – Implementation and Return to Prior Condition**

The implementation of the Temporary Single Flowline Plan and the return to prior condition after remediation of the Loop contains both a Sole Benefit Operation and routine AFE Operation, as provided for under Articles 7 and 8/11 of the Loop OA.

#### **AFE Operation (*Estimated Cost: \$3,500,000*)**

Fieldwood, Red Willow and HEDV request BP, in its capacity as LSPS Operator, to promptly propose to the LSPS Owners the following AFE Operation for approval and commencement of operations on or before 31 January 2021:

- a. flush existing jumper between Santiago PLEM1 and Santiago PLEM2 with methanol from the Santiago tree
- b. removal of existing jumper between Santiago PLEM1 and Santiago PLEM2 and installation of pressure caps
- c. installation of permanent jumper between Santiago PLEM1 and Santiago PLEM2 (*during Loop remediation*)

Note - As the AFE Operation consists of both the first and final steps in a likely Loop remediation campaign, the costs should be at the LSPS Owners Equity Interest, however, in the event the Loop is remediated in a manner such that the jumper between Santiago PLEM1 and Santiago PLEM2 was not required to be removed, such AFE Operation shall be considered a Sole Benefit Operation and BP shall be reimbursed accordingly.

#### **Sole Benefit Operation (*Estimated Cost: \$11,000,000*):**

Fieldwood, Red Willow and HEDV request BP, in its capacity as LSPS Operator, to conduct the following Sole Benefit Operation on or before 31 January 2021:

- a. removal of existing jumper between Genovesa PLIS and Santiago PLEM1
- b. installation of temporary jumper between Genovesa PLIS and Santiago PLEM2
- c. removal of temporary jumper between Genovesa PLIS and Santiago PLEM2 (*during Loop remediation*)
- d. installation of permanent jumper between Genovesa PLIS and Santiago PLEM1 (*after Loop remediation*)

As the Loop is already operating in a single flowline configuration with the restart of the Isabela Field on MC 562, the Flow Assurance strategy supporting the Temporary Single Flowline has been confirmed by BP in October 2020 and the AFE Operation and Sole Benefit Operations are temporary in nature and will return the Loop to its prior condition, neither the Sole Benefit Operation nor the AFE Operations have an Adverse Impact on the Loop. Furthermore, both the AFE Operation and Sole Benefit Operation have been prepared in consultation with BP to mitigate the risk of an Adverse Impact that is ALARP, is in compliance with Exhibit J of the Loop OA, specifically Article 2.02 (a), (b), (e) and (f), and poses no Enhanced Risk.

Approval of the AFE Operation and Sole Benefit Operation represent a commitment by LSPS Owners to return the Loop to its prior condition following remediation, but give the LSPS Owners flexibility to determine and approve the means for such remediation at the appropriate time. Notwithstanding such commitment by the LSPS Owners, the activities in the AFE Operation and Sole Benefit Operation that return the Loop to its prior condition shall occur at a mutually agreed time and shall be conducted in such a manner so as to minimize downtime, preferably during the upcoming 2022 TAR for Na Kika when both Isabela and Genovesa production will already be shut-in.

#### **Operatorship of the Temporary Single Flowline**

As the Genovesa owners will be assuming all risk, including Flow Assurance risk, from the implementation of the Temporary Single Flowline to the return to prior condition of the Loop, it is the Genovesa owners strong desire and preference for Fieldwood to operate the AFE Operation and Sole Benefit Operation. Fieldwood is ready, willing and able to operate the Sole Benefit Operation and AFE Operation and will utilize procedures and plans that have been agreed with and approved by BP. However, if BP desires to operate the AFE Operation and Sole Benefit Operation, such activities must commence on or before 31 January 2021 and Fieldwood must be engaged, consulted and approve the execution, costs and timing of the AFE Operation and Sole Benefit Operation.

Fieldwood looks forward to BP's favorable response on the proposals above. Nothing in this letter or in the documents attached hereto prejudices or waives any rights Fieldwood may have under the applicable agreements, at law or in equity and Fieldwood specifically reserves all such rights.

Sincerely,



Nathan M. Vaughn  
Deepwater Land Advisor  
Fieldwood Energy LLC

CC: Rex Richardson, Red Willow Offshore, LLC  
David Amend, Houston Energy Deepwater Ventures I, LLC